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Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 L-03 SP-02 USIA-06 AID-05 EB-07 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 H-01 PA-01
PRS-01 CIAE-00 INR-07 NSAE-00 COME-00 SEC-01 /071 R

DRAFTED BY EA/PHL:JRSARTORIUS:KA
APPROVED BY EA/PHL:BAFLECK
EA/P:MSMITH (SUBSTANCE)
DESIRED DISTRIBUTION
L/EA:PNORTON
----------141809Z 045104 /53
P 141710Z JAN 77
FM SECSTATE WASHDC
TO AMEMBASSY MANILA PRIORITY

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E.O. 11652: N/A

TAGS: EFIN, EINV, RP, US

SUBJECT: SEC CHARGES GTE WITH PHILIPPINE PAYOFFS

1. FOLLOWING AP STORY APPEARED IN JAN 13 N.Y.TIMES AND WASHINGTON POST:

QUOTE: THE GENERAL TELEPHONE AND ELECTRONICS CORPORATION DISTRIBUTED ABOUT $4.5 MILLION TO FOUR FILIPINOS HAND-PICKED BY "OFFICIALS AT THE HIGHEST LEVELS OF THE GOVT OF THE PHILIPPINES," THE SECURITIES AND EXCHANGE COMMISSION CHARGED TODAY (JANUARY 12).

THE MONEY WAS DISTRIBUTED THROUGH SECRET COMMISSIONS, CREDITS AND UNCOLLECTED LOANS OVER ABOUT 10 YEARS UNDER A 1966 ARRANGEMENT FOR SALE OF G.T.E.'S 28 PERCENT INTEREST
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IN THE PHILIPPINE LONG DISTANCE TELEPHONE COMPANY, THE COMMISSION CHARGED.

THE SEC FILED THE CIVIL SUIT AGAINST THE FOUR FILIPINOS, THEIR TRADING COMPANY, THE PHILIPPINE TELEPHONE COMPANY AND ITS HOLDING CORPORATION.

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GTE WAS NOT A PARTY IN THE SUIT, BUT THE COMMISSION SAID IN COURT PAPERS THAT IT WAS CONDUCTING A SEPARATE INVESTI-

GATION OF QUESTIONABLE PAYMENTS BY GTE.

IN PAPERS FILED IN UNITED STATES DISTRICT COURT, THE COMMISSION CHARGED THAT GTE WAS PREPARED TO SELL THE TELE-PHONE COMPANY TO ANOTHER GROUP OF PHILIPPINE INVESTORS.

THE SALE WAS PROMPTED BY THE EXPECTED TERMINATION OF A TREATY PERMITTING FOREIGN OWNERSHIP OF PHILIPPINE CORPORATIONS.

THE SEC SAID UNIDENTIFIED "OFFICIALS AT THE HIGHEST LEVELS OF THE GOVT OF THE PHILIPPINES URGED GTE FOR POLITICAL AND PURPORTED SECURITY REASONS" NOT TO SELL TO THE INVESTORS SELECTED BY GTE BUT TO DEAL WITH THE FOUR MEN NAMED IN THE SUIT.

THE FOUR WERE RAMON COJUANGCO, PRESIDENT OF THE TELEPHONE COMPANY; ALFONSO YUCHENGCO, BOARD CHAIRMAN; LUIS TIRSO RIVILLA, A DIRECTOR, AND ANTONIO M. MEER, A STOCKHOLDER IN THE PHILIPPINE TELECOMMUNICATIONS INVESTMENT CORPORATION, THE HOLDING COMPANY FOR THE FOUR MEN'S SHARES IN THE TELE-PHONE COMPANY.

THE SUIT SAID THE FOUR MEN DID NOT HAVE ENOUGH MONEY TO COMPLETE THE TRANSACTION, SO GTE PROVIDED THE INVESTORS WITH A $7 MILLION PROMISSORY NOTE, $696,768 REPRESENTING
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PARTIAL PAYMENT FOR 22.5 PERCENT OF THE HOLDING COMPANY'S STOCK, AND A $2 MILLION FEE ARRANGEMENT WITH THE STAMFORD TRADING COMPANY, WHICH THE FOUR MEN CONTROLLED.

SINCE THEN, THE COMPLAINT SAID, GTE HAS FORGIVEN $2.8 MILLION IN PRINCIPAL AND INTEREST PAYMENTS ON THE PROMIS-SORY NOTE, PAID THE MEN $484,000 IN COMMISSIONS AND PRO-VIDED THEM WITH $1 MILLION IN PERSONAL LOANS ON WHICH THEY HAVE MADE NO PAYMENTS.

THE FOUR MEN CONSENTED, WITHOUT ADMITTING OR DENYING ALLEGATIONS IN THE SUIT, TO A JUDGMENT RESTRAINING THEM FROM FUTURE VIOLATIONS OF THE SECURITIES LAWS. THEY ALSO AGREED TO PERSONALLY PAY $1 MILLION IN CASH TO THEIR TELE-PHONE COMPANY AND ITS HOLDING COMPANY. END QUOTE

2. AS YET DEPT HAS RECEIVED NO MEDIA QUERIES ON THIS STORY. IF IT DOES, WE WILL DECLINE TO MAKE ANY COMMENT.

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3. BACKGROUND SEPTEL ON SEC CASE FOLLOWS.
KISSINGER

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NNN

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Message Attributes

Automatic Decaptioning: X
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: JRSARTORIUS:KA
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770015-0021
Format: TEL
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Handling Restrictions: n/a
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Original Handling Restrictions: n/a
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Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3594272
Secure: OPEN
Status: NATIVE
Subject: SEC CHARGES GTE WITH PHILIPPINE PAYOFFS
TAGS: EFIN, EINV, RP, US, GTE
To: MANILA
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/653571d9-c288-dd11-92da-001cc4696bcc
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